

# Sappi Limited debt update

September 2018



# Forward-looking statements and Regulation G

## ○ Forward-looking statements

*Certain statements in this release that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. The words “believe”, “anticipate”, “expect”, “intend”, “estimate”, “plan”, “assume”, “positioned”, “will”, “may”, “should”, “risk” and other similar expressions, which are predictions of or indicate future events and future trends and which do not relate to historical matters, identify forward-looking statements. In addition, this document includes forward-looking statements relating to our potential exposure to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity price risk. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors which are in some cases beyond our control and may cause our actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements (and from past results, performance or achievements). Certain factors that may cause such differences include but are not limited to:*

- *The highly cyclical nature of the pulp and paper industry (and the factors that contribute to such cyclicity, such as levels of demand, production capacity, production, input costs including raw material, energy and employee costs, and pricing)*
- *The impact on our business of adverse changes in global economic conditions*
- *Unanticipated production disruptions (including as a result of planned or unexpected power outages)*
- *Changes in environmental, tax and other laws and regulations*
- *Adverse changes in the markets for our products*
- *The emergence of new technologies and changes in consumer trends including increased preferences for digital media*
- *Consequences of our leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed*
- *Adverse changes in the political situation and economy in the countries in which we operate or the effect of governmental efforts to address present or future economic or social problems*
- *The impact of restructurings, investments, acquisitions, dispositions and other strategic initiatives (including related financing), any delays, unexpected costs or other problems experienced in connection with dispositions or with integrating acquisitions or implementing restructurings or other strategic initiatives, and achieving expected savings and synergies, or*
- *Currency fluctuations.*

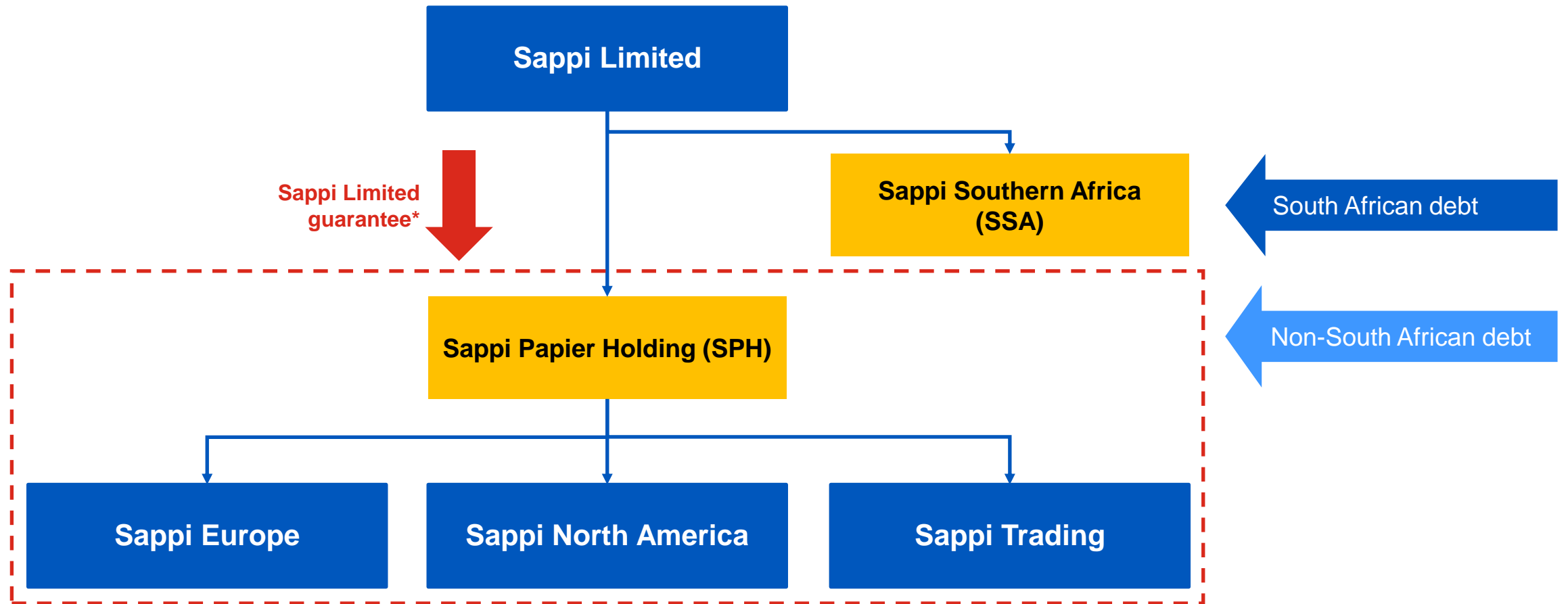
*We undertake no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information or future events or circumstances or otherwise.*

## ○ Regulation G disclosure

*Certain non-GAAP financial information is contained in this presentation that management believe may be useful in comparing the company’s operating results from period to period. Reconciliation’s of certain of the non-GAAP measures to the corresponding GAAP measures can be found in the quarterly results booklet for the relevant period. These booklets are available on our website: <https://www.sappi.com/quarterly-reports>.*

# Group structure

Sappi entities taking up debt



\* Sappi Limited provides guarantees for long-term non-South African debt.

# Debt overview

US\$ million	Mar 2018	Jun 2018	Sep 2018
<b>Long-term debt <sup>2</sup></b>	<b>1,941</b>	<b>1,817</b>	<b>1,818</b>
Senior unsecured debt	1,616	1,482	1,471
Securitisation	398	365	376
(Less – Short-term portion)	(73)	(30)	(29)
<b>Net short-term debt / (Cash)</b>	<b>(308)</b>	<b>(214)</b>	<b>(250)</b>
Overdrafts, CPs and RCF drawing	78	74	84
Short-term portion of long-term debt <sup>1</sup>	73	30	29
(Less cash)	(459)	(317)	(363)
<b>Net debt</b>	<b>1,632</b>	<b>1,603</b>	<b>1,568</b>

1. We consider the liquidity position to be very good, with cash holdings exceeding short-term obligations by US\$250 million at Q4 FY18. In addition, Sappi has US\$680 million of unutilised committed credit facilities, including the Revolving Credit Facility at SPH of EUR525 million (US\$613 million).

2. Refer to Note 21 in the published Sappi Limited Annual Integrated Report for a detailed debt description.

# Detailed debt summary – September 2018

US\$ million	Non US\$ debt	US\$ amount
Sappi Southern Africa long-term debt	ZAR1,145	81
2022 Bond (EUR)	EUR450	522
2023 Bond (EUR)	EUR350	406
2032 Bond		221
OeKB Term loan 2021 Cloquet II	EUR61	71
OeKB Term loan 2024 Somerset	EUR150	174
Securitised receivables (EUR)	EUR208	242
Securitised receivables (US\$)		134
Sappi Europe - Leases and other debt	EUR10	11
IFRS Adjustments		(16)
Long-term debt		1,847
Less short-term portion of long-term debt		(29)
<b>Total long-term debt</b>		<b>1,817</b>
Short-term loans and overdrafts		84
Short-term portion of long-term debt		29
Less cash – Sappi Southern Africa		(72)
Less cash – Sappi Group (excl. Southern Africa)		(291)
<b>NET DEBT AS AT SEPTEMBER 2018</b>	<b>US\$ '000</b>	<b>1,568</b>

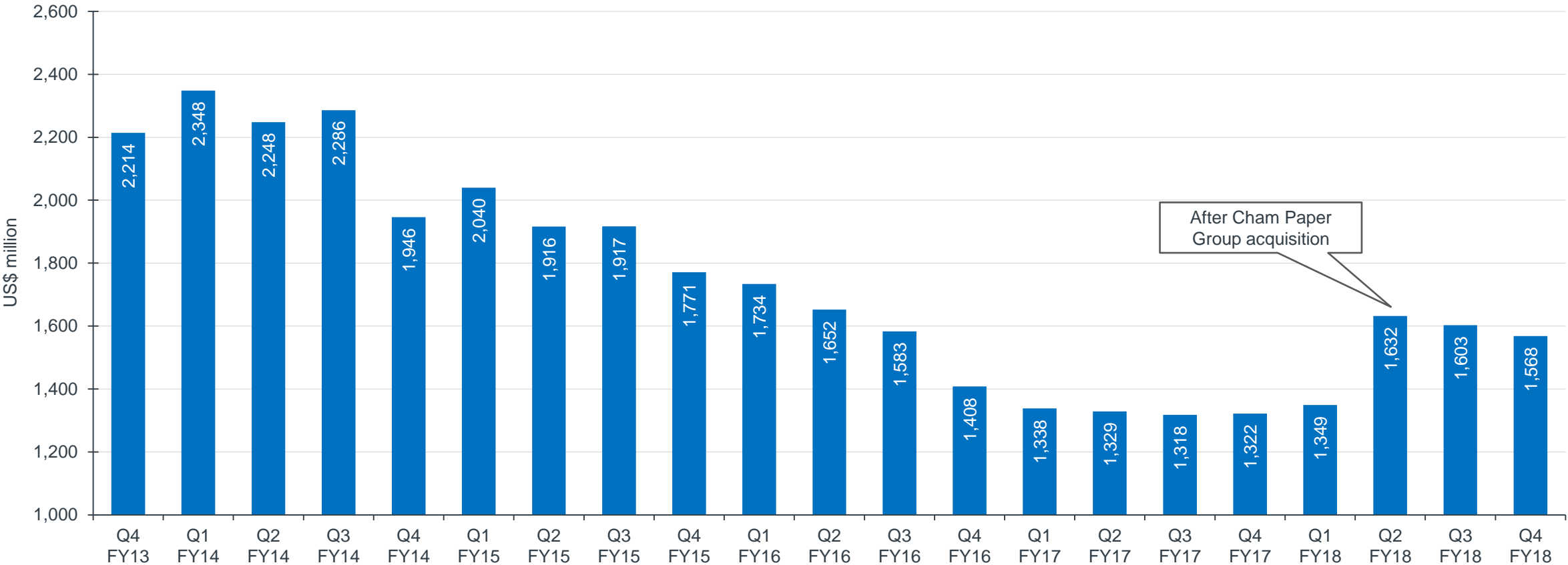
Consists mainly of a Trade Finance facility, which is rolled quarterly.

# Net debt movement – quarterly and annual

US\$ million	Q4
Net debt - At start of the period	(1,603)
Net cash generated during the period	26
Currency, fair value impact and other	9
<b>Net debt - September 2018</b>	<b>(1,568)</b>

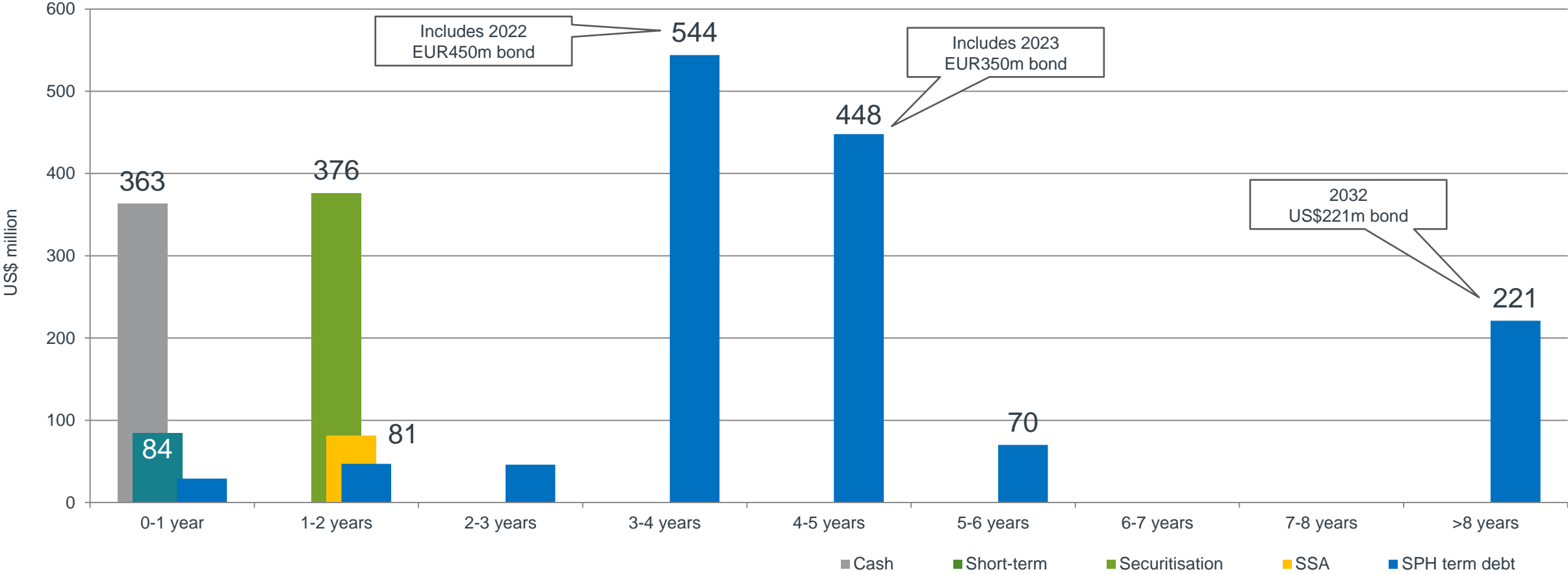
US\$ million	FY 2018
Net debt – September 2017	(1,322)
Net cash utilised during the period	(122)
Net cash paid: Cham Paper Group acquisition	(132)
Debt assumed on acquisition	(12)
Currency, fair value impact and other	20
<b>Net debt - September 2018</b>	<b>(1,568)</b>

# Net debt development



# Maturity profile (Annual)

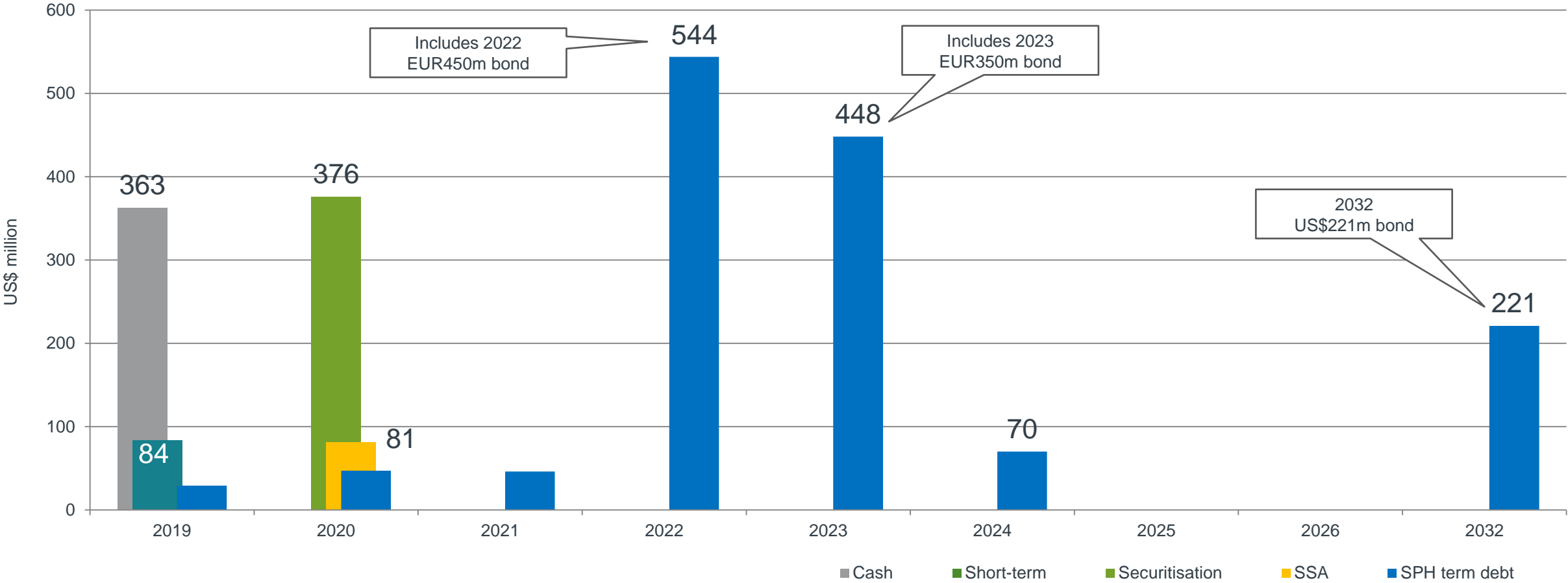
September 2018





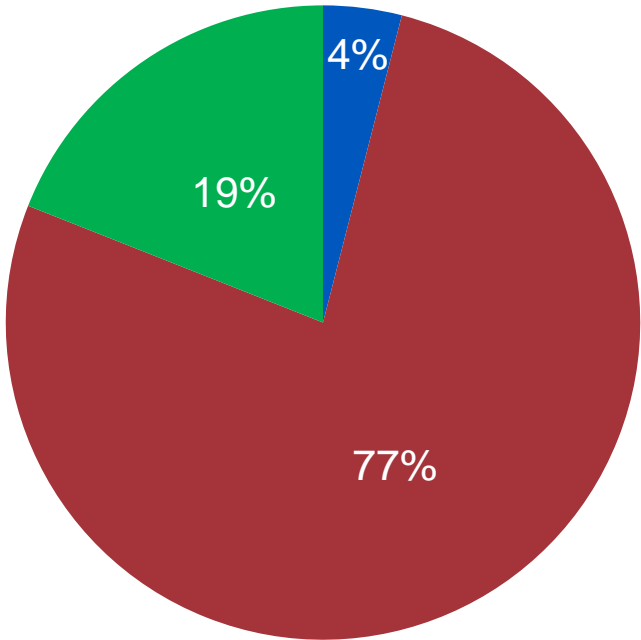
# Maturity profile (Fiscal)

September 2018

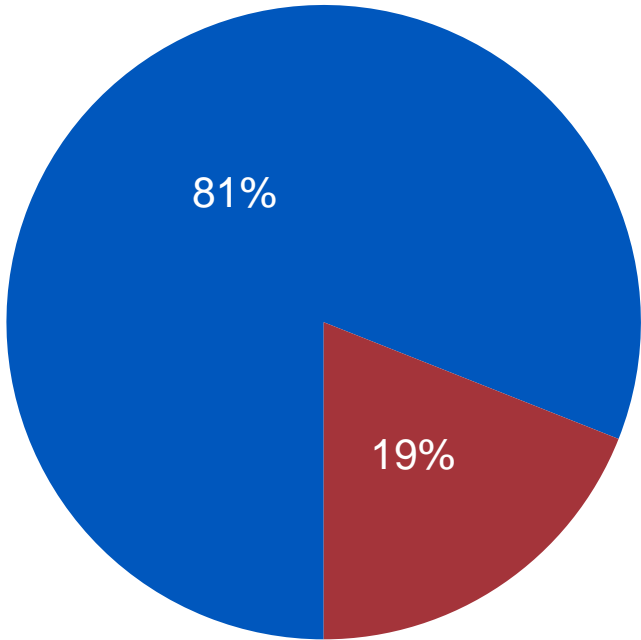


# Debt split

Gross debt



■ SSA ■ SPH ■ Securitisation

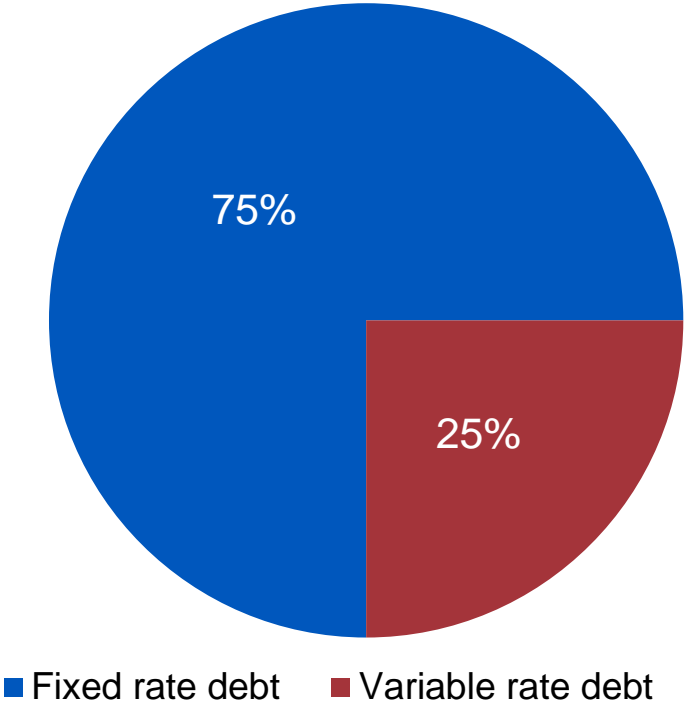
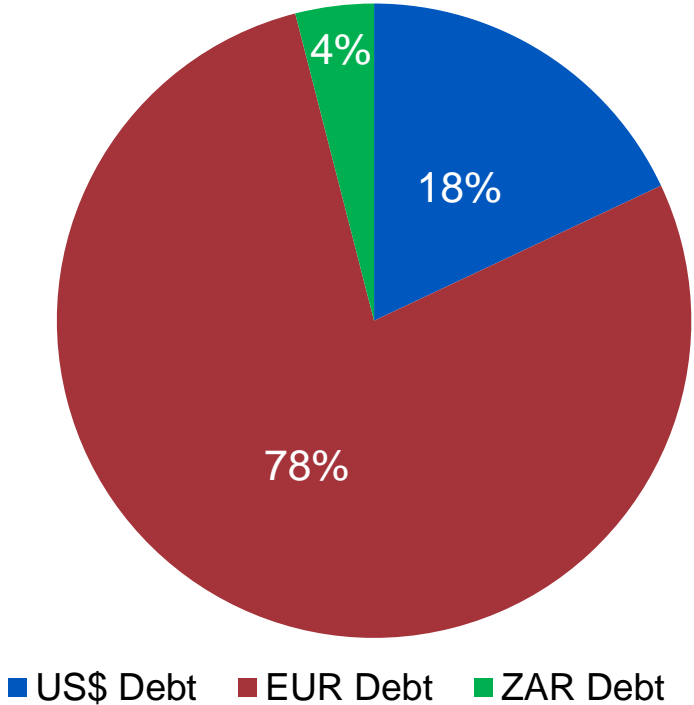


■ Public debt ■ Bank debt

- Sappi takes up debt mainly at SPH and SSA (Refer to slide 3).
- SPH Securitisation debt is taken up in a central special purpose vehicle which is consolidated in the group results.

# Debt ratios

## Gross debt



○ Debt by currency, based on gross debt and includes effect of currency swaps and hedges, where applicable.

# Key historical cash flow items

US\$ million	Sept FY16	Sept FY17	Sept FY18
<b>Key cash flow items</b>			
<b>Cash generated by operations</b>	<b>693</b>	<b>748</b>	<b>709</b>
Change in net working capital	4	-27	-79
Maintenance capex	-155	-140	-167
Cash taxes	-56	-100	-73
Net finance costs	-91	-81	-66
Dividend paid	0	-59	-81
Other	50	-16	9
<b>Cash flow post maintenance capex</b>	<b>445</b>	<b>325</b>	<b>252</b>
Expansion capex	-86	-217	-374
Acquisitions	0	0	-132
<b>Key figures and ratios</b>			
EBITDA excluding special items <sup>1</sup>	739	785	762
Net debt	1,408	1,322	1,568
Net debt / EBITDA	1.9x	1.7x	2.1x
EBITDA / Net finance costs <sup>2</sup>	7.4x	9.2x	11.2x

1. Please refer to the Annual Integrated Report for a definition of special items.

2. Net finance costs per income statement (excluding non-recurring breakage fees).

Please refer to published results for full financial summary.

# Bank covenants

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- Two bank covenants exist at the consolidated Sappi Limited level:
  - A debt covenant, and
  - An interest coverage covenant.
- In addition, two bank covenants exist at the Sappi Southern Africa level for its own bank facilities:
  - A debt covenant, and
  - A debt to equity covenant.
- At the end of September 2018 all covenants were met.

# Rating agency ratings

## S&P and Moody's have assigned the following credit ratings:

Moody's	Sappi group rating	SPH Senior unsecured debt	2032 Bonds
June 2013	Ba3/Stable/NP		B2
June 2013	Ba3/Positive/NP		B2
August 2016	Ba3/Positive/NP	Ba3/Positive	B2
November 2016	Ba2/Stable/NP	Ba2/Stable	B1
<b>May 2017</b>	<b>Ba2/Positive/NP</b>	<b>Ba2/Positive</b>	<b>B1</b>
S&P	Sappi group rating	SPH Senior unsecured debt	2032 Bonds
June 2013	BB-/Negative/B		B
April 2014	BB-/Stable/B		B
February 2016	BB-/Positive/B		B
August 2016	BB-/Positive/B	BB-/Positive	BB-
<b>January 2017</b>	<b>BB/Stable/B</b>	<b>BB/Stable/B</b>	<b>BB</b>

## Global Credit Ratings have assigned the following credit rating to Sappi Southern Africa Limited:

GCR	SSA Local rating
December 2015	A (ZA)/Stable
August 2016	A (ZA)/Stable
June 2017	A+ (ZA)/Stable
<b>June 2018</b>	<b>A+ (ZA)/Positive</b>

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